


21 FEB 1980

STATINTL

MEMORANDUM FOR: Director of Logistics

VIA: Inspector General

FROM: 
Chief, Audit Staff

SUBJECT: Report of Audit, Executive Dining Room,
For the Period 1 January 1978 -
30 November 1979

1. Subject report is attached. Please advise me
of the action taken on recommendations made in the report.

2. We appreciate the cooperation and assistance
furnished our representatives during the audit.

STATINTL 

Attachment:
As stated

Distribution:
Orig. - D/LOG
1 - DDA
1 - D/Fin
1 - ODP
✓ 1 - EDR Rpt file
1 - Hdqs chrono rpt file
1 - Follow-up
JH:sds (21 Feb 80)

REPORT OF AUDIT
Executive Dining Room

For the Period
1 January 1978 - 30 November 1979

SUMMARY AND SCOPE

1. Administrative controls, procedures and records were generally effective and in accordance with applicable requirements. Minor administrative matters were discussed and resolved satisfactorily during the audit. Recommendations concerning the Executive Dining Room's (EDR) new automated accounts receivable system are discussed in the audit comments section of this report.

2. We have examined the statement of financial position of EDR at 30 November 1979 and the related statements of operations and changes in financial position for the twenty-three month period then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures, including a review of the automated accounts receivable system, as we considered necessary under the circumstances.

OPINION ON FINANCIAL STATEMENTS

3. In our opinion the accompanying financial statements, Exhibits A, B and C, present fairly the financial position of EDR at 30 November 1979 and the results of operations and changes in financial position for the 23 months then ended in conformity with generally accepted accounting principles applied on a consistent basis.

BACKGROUND

4. EDR provides a private dining area for senior Agency officials where classified discussions may be held. EDR also caters official and nonofficial Agency functions. The Office of Logistics/Logistics Services Division maintains responsibility for the operation of EDR, its funds and its personnel. A cleared manager, who is an independent contractor, and 8 staff employees operate the EDR.

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AUDIT COMMENTS

Executive Dining Room System (EDR)

5. The EDR utilizes the Agency's Virtual Machine (VM) system to update, compute finance charges, and generate billings for each EDR member's account. Much of the manual posting and paperwork required in the past has been significantly reduced. This in-house system has replaced the original manual/partially automated system provided by an external software service bureau.

Documenting Application Changes

6. Requests for program changes, as well as the resultant changes themselves, have not been documented. The norm has been to process change requests via the telephone.

7. Documentation of program changes is required to

- a. determine the impact of a change on the rest of the program,
- b. assist the follow-on and secondary programmers to review what has been accomplished when the primary programmer is not available, and
- c. show when and why a change was made.

Recommendation #1: Document all future program change requests and actions.

Controlling Application Programs Via PANVALET

8. The Office of Data Processing (ODP) has a system called PANVALET which serves an independent librarian function. Programs are submitted to PANVALET by the various offices utilizing the library function. All such changes require documentation (via "Program Information Record" Form 3716) prior to re-installation. PANVALET also has programming and documentation standards which programmers must follow.

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9. As the system now in use operates, the system programmer has unrestricted access to all EDR programs. This significantly weakens internal controls. Ideally, once a system has been designed and tested, the programmer should not have control of the programs, and should be required to coordinate any future changes with the users.

10. We believe the EDR would benefit by including its programs in the PANVALET system. This would provide the following advantages:

- restrict unauthorized access,
- require documentation on all program changes,
- maintain the current program and a three generation back-up of past versions,
- improve machine throughput by making the compiling step unnecessary,
- prevent accidental destruction of system programs, and
- eliminate the need to store system programs on the user's mini-disk.

Recommendation #2: Transfer control of the EDR system programs from OF/P&SS to ODP's PANVALET.

Reducing the Use of Computer Resources

11. EDR has been assigned 10 cylinders of mini-disk storage and exclusive use of a Delta Data Terminal, and uses 1,000,000 bytes of VM system core storage for processing. It appears that the amount of computer resources allocated and consumed by EDR can be reduced.

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12. An examination of EDR's mini-disk files disclosed various outdated BASIC programs and several months of accounts receivable that need not be retained. The BASIC programs were for use with the first version of EDR's accounts receivable system and are no longer required, that system having been superseded.

13. Furthermore, the on-line retention of each day's account receivable activity beyond two months is unnecessary for member query and audit purposes. Each account receivable transaction is also on hardcopy print-out retained by EDR. These daily accounts receivable transactions are printed out as a result of the daily update and provide sufficient data for answering questions by members and providing the history required for audit.

Recommendation #3: Purge files no longer needed on EDR's mini-disk.

14. EDR has exclusive use of a Delta Data terminal. This terminal is used for the input of meal transactions, querying account status for members, and the input of monthly payments. The majority of the usage involves the input of meal transactions, which takes approximately one half hour a day.

15. An ODP "Terminal Usage Report" shows a 21% utilization rate for the EDR terminal during the fourth quarter CY 1979, which indicates that EDR should consider sharing its terminal with other nearby users, especially considering that terminals are presently in short supply Agency-wide. If fuller utilization of the terminal cannot be realized or conveniently scheduled, as an alternative EDR could release its terminal and request scheduled time from other existing terminal users, such as the Headquarters Engineering Branch (HEB/OL) located in the adjacent office. HEB's utilization rate for the same period was 11%, which indicates that both offices could accomplish their work sharing one terminal.

Recommendation #4: Consider sharing EDR's terminal with other users or relinquish the terminal and obtain scheduled time from nearby users.

Audited by: [REDACTED]

Reviewed by: [REDACTED]

Distribution: Orig. - D/LOG

1 - DDA 1 - EDR Rpt file
1 - D/Fin 1 - Hdqs chrono rpt
1 - ODP JH:sds (21 Feb 80)

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Exhibit A

Executive Dining Room
Statement of Financial Position
30 November 1979

ASSETS

Cash on Hand		\$ 200
Cash in Bank		12,563
Accounts Receivable		9,301
Food and Commodity Inventory		6,782
Furniture and Equipment	\$25,339	
Less: Accumulated Depreciation	<u>25,339</u>	<u>- 0 -</u>
Total Assets		<u>\$28,846</u>

LIABILITIES AND FUND BALANCE

Accounts Payable	\$ 9,396
Fund Balance	a/ <u>19,450</u>
Total Liabilities and Fund Balance	<u>\$28,846</u>

a/ Fund Balance at 1 January 1978	\$18,661
Add: Net Income (Exhibit B)	<u>789</u>
Fund Balance at 30 November 1979	<u>\$19,450</u>

Exhibit B

Executive Dining Room
Statement of Income and Expense
1 January 1978 - 30 November 1979

Income:

Meals	\$103,917	
Special Functions	48,401	
Meals Surcharge - 10%	10,634	
Coffee Sales	9,551	
Miscellaneous	581	
Finance Charges on Overdue Accounts	<u>414</u>	\$173,498

Expense:

Cost of Food and Commodities		
Opening Inventory	\$ 5,358	
Purchases	<u>130,580</u>	
	135,938	
Less: Closing Inventory	<u>6,782</u>	\$129,156
Special Function Overtime		19,524
Equipment Purchases		3,215
Miscellaneous Supplies and Services		10,194
Laundry		9,402
Clothing Maintenance Allowance		770
Equipment Repairs		<u>448</u>
		<u>172,709</u>
Net Income (Exhibit A)		<u>\$ 789</u>

Salary Costs Paid by the Agency: \$296,275

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Exhibit C

Executive Dining Room
Statement of Changes in Financial Position
1 January 1978 - 30 November 1979

RESOURCES PROVIDED

Resources Provided from Operations:	
Net Income	\$ <u>789</u>

RESOURCES APPLIED

Increase in Working Capital	\$ <u>789</u>
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INCREASE IN WORKING CAPITAL

Increase (Decrease) in Current Assets:	
Cash in Bank - Checking	\$(2,664)
Accounts Receivable	1,956
Inventory	<u>1,424</u>

Total Increase in Current Assets	\$ <u>716</u>
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Decrease in Current Liabilities:	
Accounts Payable	\$ <u>73</u>

Total Decrease in Current Liabilities	\$ <u>73</u>
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Increase in Working Capital (Exhibit A)	\$ <u>789</u>
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